

AMERICAN RECOVERY AND REINVESTMENT ACT

(ARRA)

BACKGROUND

- The American Recovery and Reinvestment Act follows three other pieces of legislation in 2007 that were intended to stabilize the economy.
- The first, the Recovery Rebates and Economic Stimulus Act injected \$145 billion into the economy mainly in the form of tax rebates.
- The second law, the American Housing Rescue and Foreclosure Prevention Act, was intended to slow foreclosures and spur lending.
- Finally, the third measure enacted last year was the \$700 billion Troubled Asset Relief Program, designed to unfreeze the credit market and stop large number of bank collapses.
- Despite these three laws, unemployment and home foreclosure rates have continued to increase, credit remains difficult to access and banks continue to falter.

ECONOMIC SITUATION

US 2008

- over 3.5 million Americans lost their jobs
- 2.3 million received foreclosure filings on their homes
- The unemployment rate increased by over two percent.

Indiana 2008

- over 120,000 Hoosiers lost their jobs
- 53,000 homes went into foreclosure
- The unemployment rate rose to 8.2%.

GOALS OF ARRA

- Job preservation and creation- specifically 3-4 million jobs
- Jumpstarting the economy through infrastructure investment, individual and small business tax breaks, assistance to the unemployed and State and local governments fiscal stabilization
- Transforming the US economy for the 21st century through investments in energy efficiency and science

OVERVIEW OF ARRA

- A total \$789.5 billion in spending and tax cuts
- \$463 billion in spending for transportation and infrastructure upgrades and construction, health care programs, education assistance, housing assistance and energy efficiency upgrades
- \$326 billion in personal and business tax breaks and tax provisions affecting payments to the states

ARRA contains targeted efforts in:

- Clean, Efficient, American Energy
- Transforming our Economy with Science and Technology
- Lowering Health Care Costs and Ensuring Broader Coverage
- Investing in Education for the 21st Century
- Modernizing Roads, Bridges, Transit and Waterways
- Tax Cuts for Middle-Class Families and American Businesses
- Helping Workers Hurt by the Recession

www.recovery.gov

- The entire bill text
- Funding announcements
- Awarded Projects
- Competitive grant information

CBO PRELIMINARY ESTIMATE

- CBO estimated that ARRA would increase the gross domestic product (GDP) between 1.4% and 3.8% by the fourth quarter of 2009, between 1.1% and 3.3% by the fourth quarter of 2010, and between 0.4% and 1.3% by the fourth quarter of 2011.
- CBO also estimated that the measure would increase employment by 800,000 to 2.3 million by the fourth quarter of 2009, by 1.2 million to 3.6 million by the fourth quarter of 2010, by 0.6 million to 1.9 million by the fourth quarter of 2011, and by declining numbers in later years.

ARRA PROVISIONS

- Human Services Programs
- Workforce Development
- Neighborhood Stabilization Program
- Education
- DOJ related Programs
- Additional Important Assistance for Individuals

HUMAN SERVICES

- Emergency Food and Shelter Program
- Emergency Shelter Grants
- TANF
- Child Care and Development Block Grants
- Head Start
- Community Service Block Grants
- Compassion Capital Fund

Emergency Food and Shelter Program

- Provides \$100 million in additional funds.
- Funds go to local community organizations to support food, shelter and services to the nation's hungry, homeless and people in economic crisis.
- Funds are distributed by the existing formula based on unemployment and poverty levels.
- United Way manages the Marion County local board.

Emergency Shelter Grants

- The Emergency Shelter Grant (ESG) program, administered by HUD, provides formula grants to states and localities that may be used for homelessness prevention, emergency shelters, and street outreach. Twenty-five percent of the funds go to states; the rest of the funds go to localities.
- The economic recovery package provides an additional \$1.5 billion for ESG for use only for homelessness prevention activities (not for emergency shelters). The funds could be used for short-term or medium-term rental assistance, housing stabilization services, and housing relocation assistance, including security or utility deposits and moving costs.
- Funds go out under the CDBG formula. In FY2008, Indianapolis received \$423,000 in ESG funds (only \$160 million was appropriated), representing 0.264% of the total amount appropriated for ESG.

TANF

- ARRA creates a new “Emergency Contingency Fund” with a \$5B appropriation to be provided in grants to states. This Fund is in addition to the already existing Contingency Fund.
- Eligible states for these funds must have increased cash welfare caseloads under either TANF or a separate State Program funded by TANF State maintenance of effort (MOE) funds. States with increased short-term non-recurrent benefit expenditures or increased subsidized employment expenditures under either TANF or a separate state program are also eligible.

- The Emergency Fund reimburses states for 80% of the increased expenditures on basic assistance, short-term non-recurrent benefits, or subsidized employment up to a cap.
- Sets the cap for combined grants to a state from *both* the existing Contingency Fund and the Emergency Fund to 50% of that state's annual block grant for FY2009 and FY2010.
- The Emergency Fund is repealed as of Oct. 1, 2010.

Child Care and Development Block Grants

- An additional \$2B in discretionary funding using the CCDBG formula is to be made available immediately upon enactment of the law.
- **These funds are to supplement, not supplant, state funding spent on child care assistance.**
- Of the \$2B, \$225M is reserved for programs that improve the quality and availability of child care (an example is resource and referral services)
- Of the \$225M set aside, \$93.5M is reserved to improve the quality and availability of child care specifically for infants and toddlers.

Head Start

- \$1B is provided for Head Start to be distributed according to the existing formula.
- An additional 1.1B is provided for Early Head Start.
- The Early Head Start funds will be provided on a *competitive basis*.
- NOTE: The Head Start funds would go out to the existing funded programs. The Early Head Start funds are for an expansion of the existing programs which would allow for new programs.

Community Service Block Grants

- Provides \$1B with the funds available immediately upon enactment of the law (rather than divided over two fiscal years).
- States are to retain 1% of the funds and distribute the remaining funds directly to local eligible entities.
- States are allowed to provide services to individuals with incomes as high as 200% of the poverty level (as opposed to the current law set at 125%)

Compassion Capital Fund

- Provides an additional \$50M in funds.
- This fund provides grants to help local faith based and community organizations expand their ability to provide social services to low-income communities.
- The fund does not typically provide money for direct services.

WORKFORCE DEVELOPMENT

- Worker Investment Act (WIA)
- Grants for High Growth and Emerging Industry Sectors
- State Employment Services Operations
- Community Service Employment for Older Americans

Workforce Investment Act

- The Workforce Investment Act provides job training and related services to unemployed and underemployed individuals. WIA programs are administered by the DOL.
- State and local WIA training and employment activities are provided through a system of One-Stop Career Centers.
- WIA authorizes numerous job training programs, including:
 - State formula grants for Youth, Adult, and Dislocated Worker Employment and Training Activities;
 - Job Corps; and
 - National programs, including the Native American Program, the Migrant and Seasonal Farmworker Program, the Veterans' Workforce Investment Program, Responsible Reintegration for Young Offenders, the Prisoner Reentry Program, Community-Based Job Training Grants, and YouthBuild.

WIA funds for Adult Activities

- \$500 million for grants to states for adult employment and training activities.
- Requires that priority for use of these funds be given to recipients of public assistance and other low-income individuals for intensive services and training.
- Funds for adult employment and training are allocated through the state grant formulas.
- Indiana is estimated to receive \$9.4M.

WIA funds for Youth Activities

- Provides \$1.2 billion for grants for youth activities, including an emphasis on summer employment and specifies that:
 - no portion of this additional funding is available for Youth Opportunity grants;
 - the age for an “eligible youth” in these programs from will increase from 21 to 24 years of age;
 - the only performance measure to be used in assessing the effectiveness of summer employment for youth is attainment of basic skills and, as appropriate, work readiness or occupational skills.
- Using the WIA Youth funding formula, Indiana will receive \$23.9M.

Dislocated Worker Employment and Training Activities

- A majority of WIA dislocated worker funds are allocated by formula grants to states (which in turn allocate funds to local entities) to provide training and related services to individuals who have lost their jobs and are unlikely to return to those jobs or similar jobs in the same industry.
- The remainder of the appropriation is reserved by DOL for a National Reserve account, which in part provides for National Emergency Grants to states or local entities.
- Provides \$1.25 billion for formula grants to states for employment and training for dislocated workers.
- In addition, provides \$200 million for the Dislocated Workers National Reserve, which is used for technical assistance, projects, and emergency grants.
- Indiana will receive \$26.4M through the formula funding.

YouthBuild

- This competitive grant program funds projects that provide education and construction skills training for disadvantaged youth.
- Participating youth work primarily through mentorship and apprenticeship programs to rehabilitate and construct housing for homeless and low-income families.
- Provides \$50 million for YouthBuild and allows, in program years 2008 and 2009, participation for individuals who have dropped out of high school and re-enrolled in an alternative school, if that re-enrollment is part of a “sequential service strategy”

Job Corps

- Job Corps is a residential job training program first established in 1964 that provides services to low-income individuals ages 16-24 primarily through contracts administered by DOL with corporations and nonprofit organizations.
- Provides \$250 million for the construction, rehabilitation, and acquisition of Job Corps Centers, with the following provisions:
 - The funds will remain available for obligation through June 30, 2010.
 - The Secretary of Labor is permitted to transfer up to 15% of the allocated funds for operational needs of Job Corps Centers.

Grants for High Growth and Emerging Industry Sectors

- Funds for this program would be distributed by a competitive grant process to provide worker training and placement in high growth and emerging industry sectors.
- provides \$750 million for competitive grants for worker training in high growth and emerging sectors. The bill specifies that:
 - of the \$750 million, \$500 million is reserved for research, labor exchange, and job training projects that prepare workers for careers in energy efficiency and renewable energy industries
 - the Secretary of Labor should give priority to projects in the health care industry when granting the remaining \$250 million;
 - a local workforce investment board may award a training contract to an institution of higher education if such a choice would facilitate the training of multiple individuals in high-demand occupations

State Employment Services Operations

- \$400 million for state employment services operations, \$250 million of which must be used for reemployment services for unemployment insurance claimants;
- Requires the Secretary of Labor to establish planning and reporting procedures to provide oversight of these funds.
- The funds are to remain available to states through September 30, 2010.

Community Service Employment for Older Americans

- \$120 million for the Community Service Employment for Older Americans program, which is to be allotted in proportion to grantees' FY2008 allocation within 30 days for the enactment of this legislation.
- Funds are to remain available through June 30, 2010.

Neighborhood Stabilization Program

- \$2 billion to be distributed *competitively* to states, local governments, and nonprofit entities.
- These funds are for the purchase, renovation and rehabilitation of abandoned and blighted homes.
- This program was originally a formula program available only to municipalities and states.

EDUCATION

School Construction Bonds

- The agreement establishes a new type of tax-credit bond that could be issued by state and local governments to finance the construction, rehabilitation, or repair of a public school facility or for the acquisition of land on which a school facility would be constructed.
- The agreement authorizes up to \$11 billion for such bonds in 2009, and \$11 billion in 2010, for a total national limitation of \$22 billion.
- Each year, 60% of those bonds would be allocated to states based on the number of school age children and 40% would be allocated among certain local educational agencies based on the amount received through certain grants from the Education Department.

New School Construction Bonds

- Creates a tax credit bond to fund new construction of schools.
- Allocates \$5 billion for each of 2009 and 2010.

Qualified Zone Academy Bonds

- The agreement allocates \$1.4 billion of qualified zone academy bond program issuing authority to state and local governments for 2009 and 2010.
- The bonds can be used to finance renovations, equipment purchases, developing course material, and training teachers and personnel at a qualified zone academy, defined as any public school below college level that is located in an empowerment zone or enterprise community and designed to cooperate with businesses to enhance curriculum.

State Fiscal Stabilization Funds

- A total amount of \$53.6B dollars of which \$14B is reserved for oversight and administration.
- For each fiscal year, the Governor shall use 81.8% of the State's allocation for the support of elementary, secondary, and postsecondary education and, as applicable, early childhood education programs and services.
- The Governor must first use these funds to restore, in each fiscal year, the education budget for K-12 and Higher Education to the greater of the fiscal year 2008 or fiscal year 2009 levels.
- After making up for any budget shortfall, the Governor provides sub grants to local education agencies (LEAs) based on their relative shares of funding under part A of Title I of the Elementary and Secondary Education Act (ESEA).
- LEAs may use these funds for *any* activity authorized under ESEA, IDEA, the Adult and Family Literacy Act, the Perkins Act *or* for modernization, renovation or repair of public school facilities

- The Governor may use the remaining 18.2% of the funds for public safety and other governmental services, which *may* include assistance for K-12 and Higher Education and for modernization, renovation, or repair of both K-12 and Higher Education public school facilities and institutes.

Additional Education Funds

- Provides \$13B for Title I programs to be distributed to the states and LEAs.
- Provides \$100M for the funding of three competitive grant programs authorized under the America COMPETES Act which is meant to improve America's standing in the areas of Science, Technology, Engineering and Mathematics and address disparities in achievement in these areas.
- Funds the following grants: the Robert Noyce Scholarship Program, Math and Science Partnership and the Professional Science Master's Programs.

DOJ Related Programs

- **Byrne Competitive Grants-** \$225M for competitive grants to prevent crime, improve the administration of justice, provide services to victims of crime, and support critical nurturing and mentoring of at-risk children and youth.
- **Victims Compensation-** \$100M for the formula grants to support State compensation and assistance programs for victims and survivors of domestic violence, sexual assault, child abuse, drunk driving, and homicide.
- **Violence Against Women Prevention and Prosecution Programs-** \$225M of which \$175M is for the STOP Violence Against Women Formula Assistance Program and \$50M is for transitional Housing assistance grants.

Additional Important Assistance for Individuals

- \$5B for the Weatherization Assistance Program and increases the eligibility to 200% of the federal poverty line and increases the maximum amount per resident to \$6,500 from \$2,500
- Increases the average unemployment benefit by \$25 per week, exempts the first \$2,400 from being considered as taxable income and extends the current unemployment insurance through December of this year.
- Provides a 65% subsidy for health insurance premiums under COBRA for up to 9 months for workers involuntarily terminated between Sept. 1, 2008 and December 31, 2009.

Community Health Centers

- \$500M for services provided at community health centers.
- These funds are to be used to support new sites and service areas, to increase services at existing sites, and to provide supplemental payments for spikes in uninsured populations.
- Grants for new sites and service- areas are to be two years in length as startup is phased in.
- \$1.5M for construction, renovation and equipment, and for the acquisition of health information technology systems, for community health centers.